

The complaint

A company which I'll call 'F' complains that Barclays Bank UK Plc caused them inconvenience and negatively impacted their credit file through not amending the direct debit for their Bounce Back Loan (BBL).

The complaint is brought on F's behalf by their director, Mr A.

What happened

F had a business account with Barclays and successfully applied for a BBL in May 2020.

Mr A told us:

- F made the contractual BBL repayments which started in June 2021 from their Barclays business account. He asked the bank to close F's account in September 2021 as he intended to dissolve the company. He completed a new direct debit mandate so the BBL repayments could be made from his personal account, but the bank didn't tell him at any point that if he closed F, a formal demand would be issued for the BBL.
- Due to a bank error the direct debit wasn't set up until February 2022 and repayments then started in March 2022, but this meant F had missed six repayments.
- F had ceased trading in September 2021, but Barclays had prevented F's closure, so it was now incurring charges from Companies House which was unfair.
- Barclays had unfairly defaulted F's BBL and recorded this against the company's credit file even though he hadn't received any correspondence from Barclays saying F's account was in arrears or that it had sent a formal demand.
- The only letter he had received from Barclays was in May 2022 to say that the formal demand on F's account hadn't been satisfied.
- It wasn't fair that Barclays had moved F's loan to its recoveries team and recorded adverse credit information about the company due to its own error. He wanted this removed from F's credit history.

Barclays told us:

- It upheld F's complaint as it gave F the benefit of the doubt that the BBL direct debit wasn't changed in September 2021 as requested, which was poor customer service. However, it said there was no record of the request in September 2021, only in February 2022 when the direct debit was then set up from Mr A's personal account.
- It was sorry that when Mr A called in January 2022 to set up the direct debit from his personal account, he wasn't told what would happen to the BBL if F closed. So, it apologised and paid him £25 for the inconvenience caused.
- It received a 'Notice Of Intended Dissolution' (NOID) from Companies House in February 2022 so it had repeatedly written to Mr A about F's BBL but hadn't received

a response.

- The letters to Mr A were clear that because of F's outstanding BBL, it would object to the proposed strike-off action and may issue a formal demand if he didn't contact the bank. They also said the account couldn't be maintained if F was struck off Companies House.
- It couldn't reopen F's loan as it had been closed and correctly passed to the recoveries team in line with its NOID process – not because F had missed repayments due to the direct debit error. It had told Mr A on the 18 May, that he could continue to make payments towards F's loan from his personal account, he would just need liaise with the recoveries team to do this.

Our investigator thought Barclays could have been clearer when speaking to Mr A about the impact on F's BBL if he dissolved the company. So she recommended the bank pay a further £75 compensation for the poor customer service F had received. However, she thought it was reasonable for Barclays to issue a formal demand in line with the BBL terms and conditions, as F was the borrower of the loan and the company was in the process of being wound up, which constituted an event of default. The investigator also said she was satisfied the bank had sent the required notifications by post and that it wasn't required to send them by a different method.

Barclays agreed with the investigator's decision, but Mr A didn't. He said if the bank had made him aware of what would happen to the BBL if F was dissolved, he wouldn't have taken this action. He also said it wasn't fair to say F had received the letters sent by the bank or that he should have read the BBL terms to understand when a BBL could default. So he asked for an ombudsman to review F's complaint.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I'm upholding the complaint in part. I'm not asking Barclays to remove the adverse credit information from F's account and reinstate the loan as though it hadn't been moved to the bank's recoveries team. Furthermore, I think the £100 total compensation for the bank's error is fair. I'll explain why.

Firstly, it's not disputed by either party that Barclays could have been clearer when speaking to Mr A about the impact on the BBL if he dissolved the company. Although the bank wasn't clear on that call, it did attempt to contact Mr A prior to issuing the formal demand for F's loan. I've seen that Barclays wrote to Mr A on 10, 16 and 23 February to say it had received the NOID and would freeze any balances and object to the dissolution if any monies owed. The letters also said if Mr A didn't respond, a formal demand may be issued to recover the outstanding balance.

So I think Barclays took reasonable steps to make it clear to Mr A what the impact would be on the BBL if he continued to dissolve F before it issued the formal demand on 15 March. I also think Mr A has responsibility here to understand his actions from dissolving F and the consequences of this actions. If he was unsure what the impact on F, and himself as the director would be, I think it would be reasonable to believe that he ought to have sought independent legal advice. I don't think it's fair for Mr A to expect Barclays to advise him on what would happen next when he chose to dissolve F.

Mr A told us that he didn't receive the letters and he shouldn't be held responsible for this. He also says Barclays should have contacted him in a different way. The BBL terms and

conditions say that in certain circumstances (such as the dissolution of the borrower or issuing the formal demand), the bank will write to the borrower using first class post, at the address advised to the bank and the letter will be considered as received after 48 hours. It is a commercial decision taken by Barclays to communicate in this way, and I think this was reasonable.

I've seen that the bank wrote to F at its registered address. I've not seen that Mr A notified Barclays that F was no longer using that address or that the bank received any returned mail. So I think it was reasonable for Barclays to believe F had received its letters and was aware of the impact if the company were dissolved. I also can't reasonably hold Barclays responsible if, as Mr A says, that none of these letters were delivered as this would be due to circumstances outside its control.

Mr A says that it is unfair that Barclays issued a formal demand for the BBL as the arrears on the BBL were because the bank didn't change the direct debit details in September 2021. He also says he's been making payments from his personal account so the BBL should be moved back from the recovery team. However, Barclays has told us that the action it took to recover the BBL wasn't because of the arrears, but due to F – the borrower under the terms of the agreement - no longer being active, and I think this was reasonable.

I say this because the BBL terms and conditions say that an event of default will occur if any steps are taken in relation to the winding-up or dissolution of the borrower. And that should an event of default take place, the loan will be withdrawn or cancelled, and the outstanding balance will become immediately due and payable. I acknowledge Mr A says that he shouldn't be expected to have been aware of this as he shouldn't need to read through the terms and conditions. But I think it's reasonable to expect that Mr A understood the terms of this agreement. So I think it was reasonable for Barclays to issue a formal demand when it received the NOID in line with these terms, and record this on F's credit file accordingly.

Mr A is unhappy as he says he contacted the bank in September 2021 about changing the direct debit account for F's BBL, but Barclays didn't process his request. He says this has also impacted F's credit rating. However, I've reviewed the bank's contact notes and I haven't seen any evidence that the new direct debit mandate was received or that Mr A contacted the bank again about this until 24 January - just after he'd posted the intention to dissolve F.

Barclays has also told us that it upheld F's complaint for poor customer service as it had given the benefit of doubt that the request had been received, rather than because it didn't action the request. However, even if the direct debit wasn't amended due to a bank error, Barclays wrote to F to say that repayments had been missed, so F ought reasonably to have been aware of the arrears. Furthermore, given that no payments had debited Mr A's personal account for five months, I think he ought reasonably to have been aware that there was an issue with the direct debit and contacted Barclays to see if there was an issue. The obligation was on F as the borrower to ensure its BBL repayments were met – regardless of where the payments came from – and as the repayments weren't received as expected, I think it's reasonable that Barclays doesn't restructure F's loan to remove the arrears and continues to record the missed repayments on F's credit file.

I acknowledge that Mr A says he wants to repay F's BBL from his personal account and that F's account has been removed from his online banking. Barclays has said that Mr A can continue to make repayments in this way, however he would need to liaise with its recoveries team to do so as this department deals with accounts in this position. So Mr A should liaise with the bank directly to discuss repayments and if it's possible for him to view the BBL through his personal online banking.

I recognise that Mr A feels strongly about this, and he'll be disappointed with my decision. But based on everything I've seen, I think it was reasonable for Barclays to withdraw F's BBL, issue the formal demand and report the repayment history to the credit reference agencies, so I won't be asking it to take further action on these parts of the complaint. However, I think Barclays could have provided clearer information when discussing the BBL repayments if F was dissolved. So I think it should pay F a further £75 compensation on top of the £25 already paid for the inconvenience caused - bringing the total award to £100.

My final decision

My final decision is that I uphold this complaint. I instruct Barclays Bank UK Plc to pay P a further £75 compensation for the inconvenience caused in addition to the £25 already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 12 July 2023.

Jenny Lomax
Ombudsman